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Guatemala

Sugar

Annual

2008

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Report Highlights:
Sugar production for Marketing Year (MY 2008 November-October basis) is forecast at 2.2 million tons, down over 6 percent compared to MY 2007. This is primarily due to unfavorable weather. Production for MY 2007 has been revised upward to 2.365 million tons, due to an expansion in planted area in response to increased ethanol demand. Total exports for MY 2008 are forecast at 1.4 million tons. South Korea, Canada and the United States are the principal export destinations.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Annual Report
Guatemala City [GT1]
[GT]

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Executive Summary

Guatemala's sugar industry has grown due to increases in planted area, which in turn are related to increases in international prices, and international demand for ethanol as a biofuel. In MY 2008 area planted is forecast at 215,000 hectares. Sugarcane yields should drop, due to unfavorable weather.

Consumption for MY2008 is placed at 744,000 tons up 4 percent from Post's MY2007 estimate. This is due to increases in population and income, especially from coffee exports. Exports for CY2008 are forecast at 1.4 million tons, down over 6% from 2007. Guatemala exports around 65% of its total production and is the world's fifth largest exporter and continue growing at 5% per year, at least, keeping pace with population growth. Is also Latin America's second largest exporter, accounting for around 4 percent world exports. South Korea, Canada and the U.S. continue to be major export markets. Exports to Venezuela, China, Chile and Taiwan are also on the upswing. The Russian Federation is talking on more significance as an export market, in response to the commercial and economic cooperation agreements signed at the end of 2006 and ratified by Congress on April 10, 2007.

Production

For the MY 2008 crop, sugarcane yields are expected to drop 7 percent due to unfavorable weather. One fifth of the planted area is renewed every year, since sugar cane has a 5-year cycle.

PSD Table										
Country	Guatemala									
Commodity	Sugar, Centrifugal						(1000 MT)			
	2006	Revised		2007	Estimate		2008	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		11/2005	11/2005		11/2006	11/2006		11/2007	11/2007	MM/YYY
Beginning Stocks	46	0	46	217	0	262	89	0	412	(1000 MT
Beet Sugar Production	0	0	0	0	0	0	0	0	0	(1000 MT
Cane Sugar Production	2049	0	2094	2285	0	2365	2200	0	2200	(1000 MT
Total Sugar Production	2049	0	2094	2285	0	2365	2200	0	2200	(1000 MT
Raw Imports	0	0	0	0	0	0	0	0	0	(1000 MT
Refined Imp.(Raw Val)	0	0	0	0	0	0	0	0	0	(1000 MT
Total Imports	0	0	0	0	0	0	0	0	0	(1000 MT
Total Supply	2095	0	2140	2502	0	2627	2289	0	2612	(1000 MT
Raw Exports	1064	0	1064	1400	0	1148	1259	0	1073	(1000 MT
Refined Exp.(Raw Val)	177	0	177	284	0	352	225	0	329	(1000 MT
Total Exports	1241	0	1241	1684	0	1500	1484	0	1400	(1000 MT
Human Dom. Consumption	637	0	637	729	0	715	730	0	744	(1000 MT
Other Disappearance	0	0	0	0	0	0	0	0	0	(1000 MT
Total Use	637	0	637	729	0	715	730	0	744	(1000 MT
Ending Stocks	217	0	262	89	0	412	75	0	479	(1000 MT
Total Distribution	2095	0	2140	2502	0	2627	2289	0	2623	(1000 MT

Area planted for sugarcane for MY2008 is forecast at 215,000 hectares, up about 3 percent compared to 2007. Typically, changes in area planted directly responds to sugarcane contracts offered by sugar mills, the price formula for sugarcane, and the relative profitability of crops such as bananas and palm. Producers are expanding planted areas toward the borders with El Salvador; they cannot push west toward the Mexican border since those areas are highly competitive in banana and palm oil production. There is new planted are in the eastern part of the country with the first harvest on top for this year.

The Guatemalan Sugarcane Research Center, CENGICAÑA, supports the industry with research and technical assistance. Its objective is to improve and increase sugarcane and by-product production and yields, by generating, and transferring quality technology for the profitable and sustainable development of the industry. Its main goals are to increase sugar yields and to improve varieties through research programs. CENGICAÑA's assistance has been very valuable to the sugar industry in keeping yields at acceptable levels despite poor weather conditions. In January 2007, CENGICAÑA was ISO 9001:2000 certified. In 2007 it started the ISO 17025:2005 certification process for its agricultural laboratory, and is already implementing ISO 14000 Environmental certification. According to officials at CENGICAÑA, the total potential area that could be planted to sugarcane is 350,000 hectares, which could yield up to 30 million MT of sugarcane. However, it is unlikely that all this land will be used for cane.

There are 13 active sugar mills in the country. Combined milling capacity is 130,000 MT per day. MY 2008 sugar production is forecast at 2.211 million tons almost 7 percent down from MY 2007 production. Sugar production is forecast to decrease due to unfavorable weather.

There are already 3 sugar mills currently producing alcohol: Palo Gordo (100,000 liters/day), Magdalena & Madre Tierra (125,000 liters/day), and DARSA (100,000 liters/day). In 2007, Pantaleon, the biggest mill, opened Bio-Etanol Co., with an initial capacity of 150,000 liters./day of ethanol. Magdalena Mill has increased its ethanol production to 300,000 liters/day. Most of the alcohol is exported to the European Union, Central America and Mexico. Other mills are adding alcohol refineries, and the industry hopes to increase ethanol production for use as motor fuel. Guatemala is interested in supplying locally produced alcohol from domestic sugarcane.

Approximately 40 percent of Guatemalan sugarcane is irrigated. The sugar industry generates around 60,000 full-time jobs, which support around 250,000 people. In addition, the sugar industry generates employment indirectly for another 300,000 people, of which 33,000 are sugarcane harvesters.

The average cost of production for 2007 follows, based on a broad estimate correction of past year data, considering inflation rate at 8.75% (BANGUAT, March 2008):

DESCRIPTION	VALUE $/HA (Q7.58/$1)	PERCENTAGE
Land preparation	123.74	8.29
Planting	425.85	28.53
Weed control out of cane plantation	7.41	.50
Weed control inside of cane plantation	102.08	6.84
Fertilization	80.43	5.39
DESCRIPTION	**VALUE $/HA (Q7.58/$1)**	**PERCENTAGE**
Irrigation	186.63	12.50

Maturing agents application	21.65	1.45
Experiments	7.60	0.51
Pest control	16.17	1.04
Harvesting	521.75	34.96
TOTAL	1493.31	100.00

The Guatemalan Sugar Association, ("Associacion de Azucareros de Guatemala" ASAZGUA"), through a price formula set sometime before the harvest season starts, determines the price for sugarcane. The price is based on a minimum of 87.5 kilos of sugar per metric ton of sugarcane. For sugar content above the basis, the producer receives a proportional adjustment.

Local sugar prices (in U.S. dollars) for 2008 are as follows:

At Mill	Wholesaler	Retailer
$0.2298/lbs	$0.2622/lbs	$0.2947/lbs

Consumption

Consumption for MY2008 is expected to increase slightly to 745,000 MT due primarily to population growth. Per capita consumption of sugar is almost 53 Kg. MY 2007 consumption increased significantly from the previous year, most likely due to an increase on its consumption as a source of Vitamin A, and serious concerns about malnutrition in Guatemala.

Comercializadora de Guatemala (COMETRO) maintains a legal oligopoly on the domestic wholesale and retail markets, established by decree in 1997. COMETRO markets and distributes to retailers through 38 warehouses strategically located throughout the country. Competition from other retailers has forced COMETRO to come out with new marketing strategies in order to compete with small retailers offering lower prices due to lower costs in packaging, transportation, and others.

In Guatemala almost all wholesale sugar is sold through COMETRO. There are ways of buying wholesale from mills, but it is very difficult and the amounts are very small. However, in the small retail market, anyone can sell.

Alternative sweeteners and other alternative sugar products are not a detrimental or significant factor in total domestic sugar consumption. Sugar confectionery imports and sugar smuggling from Mexico have had some effect on sugar consumption but not to a significant degree. Currently, domestic consumption is split 28% for industrial and 72% for human. The soft drinks industry is the major industrial consumer of sugar, followed by confectioneries, bakeries, juice makers, wineries, dairy producers, and pharmaceuticals.

Trade

Export Trade Matrix			
Country	Guatemala		
Commodity	Centrifugal Sugar		
Time period	Jan-Dec	Units:	Metric Tons
Exports for:	2006		2007
U.S.	223,227	U.S.	163,978
Others		Others	
South Korea	282,900	Sout Korea	229,600
Canada	265,390	Canada	213,375
China	112,155	Venezuela	100,180
Dominican Republic	87,708	China	97,022
Venezuela	67,067	Chile	92,847
Malaysia	53,086	Taiwan	55,358
Taiwan	45,139	Jamaica	55,056
Indonesia	36,750	Russian Federation	35,500
Russian Federation	36,100	Malaysia	33,300
Mexico	26,776	Peru	21,633
Haiti	24,832	Bangladesh	20,000
Peru	21,589	Tunisia	14,700
Total for Others	1,059,492	Total for Others	968,571
Others not Listed	49,423	Others not Listed	162,543
Grand Total	1,332,142	Grand Total	1,295,092

Guatemala exports close to three quarters of its total production. Guatemala is the fifth largest exporter in the world and the second largest in Latin America. In MY2007 Guatemala exported 1,295 million MT, a significant decrease over the previous year. In CY 2008, Guatemalan exports are expected to decrease further. The total CAFTA-DR quota allocation for Guatemala for FY2008 is currently 50,500 MT. ASAZGUA expects that around 84 percent of total exports will be raw sugar, a slight percentage increase from the previous year due to an increase in the U.S. re-export market and an increase of raw sugar exports to Canada and the Russian Federation.

For MY 2007 products major exports markets were the U.S., Canada, South Korea, Venezuela, Taiwan, and China. Asia is becoming a more important export market. Since June 2006, the new bilateral free trade agreement between Guatemala and Taiwan allowed for 60,000 MT of sugar to enter duty free, increasing to 67,482 for 2007, some Taiwan´s imports of Guatemalan sugar correspond to a percentage of total imports of sugar. For 2008, Taiwan´s quota allocation for Guatemala has been set at 75,000 MT, from which 65 percent is raw and 35 percent refined. The new Economic Cooperation Agreement with the Russian Federation will provide Guatemala Most-Favored-Nation treatment without volume restrictions. The Central America Customs Union in its negotiations with the European Union (EU), Guatemala is fighting to get preferential access for sugar. At this moment, Guatemala is the 20th supplier of sugar for the EU, mainly exporting to Belgium, France, and Spain.

AZASGUA is using containers to optimize distribution. With this improvement, Guatemala aims increasing exports of refined sugar. At the medium year Guatemala expects to export 80 percent of its sugar as raw and 20 percent as refined.

Stocks

MY 2008 ending stocks are expected to be significantly above those from MY 2007. Domestic stocks are held in warehouses managed by COMETRO throughout the country. All exported sugar is held in warehouses managed by EXPOGRANEL, located in Puerto Quetzal. Its warehousing capacity has increased to 365,000 MT of bulk sugar, and 47,000 MT of sugar in sacks of 50 Kg (520,000 sacks). It has a loading capacity of 2,200 MT per hour, comparable to Brazil and Australia. Port improvements are under way, opening the possibilities to increase export competition, as bigger vessels will have access, thus reducing transportation costs.

Policy

Guatemala's Sugar Board, which includes representatives from the Ministry of Economy, sugarcane producers, and sugar mills, establishes production goals, sets sugarcane prices, and allocates Guatemala's U.S. sugar quota to the different sugar mills. The allocation to each mill is based on past production performance, previous quotas, and milling capacity. According to the law, all sugar sold domestically must be enriched with vitamin A. The industry claims to invest $3.5 million a year on vitamin A. Presently, Guatemala has no quotas for sugar. All imports are assessed a tariff of 20 percent and must comply with the enrichment law.

Marketing

ASAZGUA is continuing its marketing strategy designed to maintain domestic sugar consumption, in response to the increasing presence of artificial sweeteners. Both by radio and visual media, the sugar industry is promoting the fact that natural sugar contains "just 16 calories per teaspoon". The industry has been very successful with this approach.